

PUBLIC DISCLOSURE

July 9, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

GLOUCESTER MUNICIPAL CREDIT UNION

**CITY HALL, 9 DALE AVENUE
GLOUCESTER, MA 01930**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MASSACHUSETTS 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income individuals, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **GLOUCESTER MUNICIPAL CREDIT UNION** (or the "Credit Union") prepared by the Division, the institution's supervisory agency, as of **July 9, 2008**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The assessment of Gloucester Municipal Credit Union's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates.

According to CRA regulations, an institution shall delineate one or more assessment areas of which the institution will serve to meet the credit needs and by which the Division will evaluate the institution's CRA performance. Credit unions whose membership by-laws provisions are not based upon residence were now permitted to designate its membership as its assessment area. Therefore, since the Credit Union has defined its membership as its assessment area, as opposed to a geographic area, an evaluation of credit extended within defined geographic areas was not conducted; as such an analysis would not be meaningful. Therefore, this evaluation was based upon an analysis of the Credit Union's performance in providing loans to its membership; providing loans to individuals of various incomes, including low to moderate-income members; and the Credit Union's fair lending performance.

Shares from the membership are returned to members in the form of secured and unsecured personal loans. Loan-to-share ratios are at a satisfactory level for an institution of its size and capacity.

The distribution of loans to borrowers of different income levels is considered reasonable and is representative of the membership.

The Review of Complaints and Fair Lending section indicates that the Credit Union has made reasonable efforts in attracting all applicants within its membership.

PERFORMANCE CONTEXT

Description of Institution

Gloucester Municipal Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in 1941. The Credit Union was established to serve the credit needs of current and retired municipal employees of the City of Gloucester. The Credit Union's sole office is located in City Hall, 9 Dale Avenue, Gloucester, MA. The current office hours are Monday through Friday 11:00AM to 3:00PM. The office hours are considered accessible to its members.

Based on the National Credit Union Administration Call Report of Condition as of March 31, 2008, the institution had total assets of \$1,646,816 with total net loans representing \$686,915 or 41.7 percent of total assets. The Credit Union's loan portfolio consists solely of personal loans.

Members are provided with direct deposit for payroll and automatic payroll deductions for loan payments. The Credit Union offers both unsecured and secured personal loans.

The Credit Union was last examined for compliance with the CRA by the Division on April 23, 2003. That examination resulted in a "Satisfactory" rating.

Description of Assessment Area

According to the Massachusetts CRA regulation, 209 CMR 46.41, a credit union whose assessment area is not based on residence may delineate its membership as its assessment area.

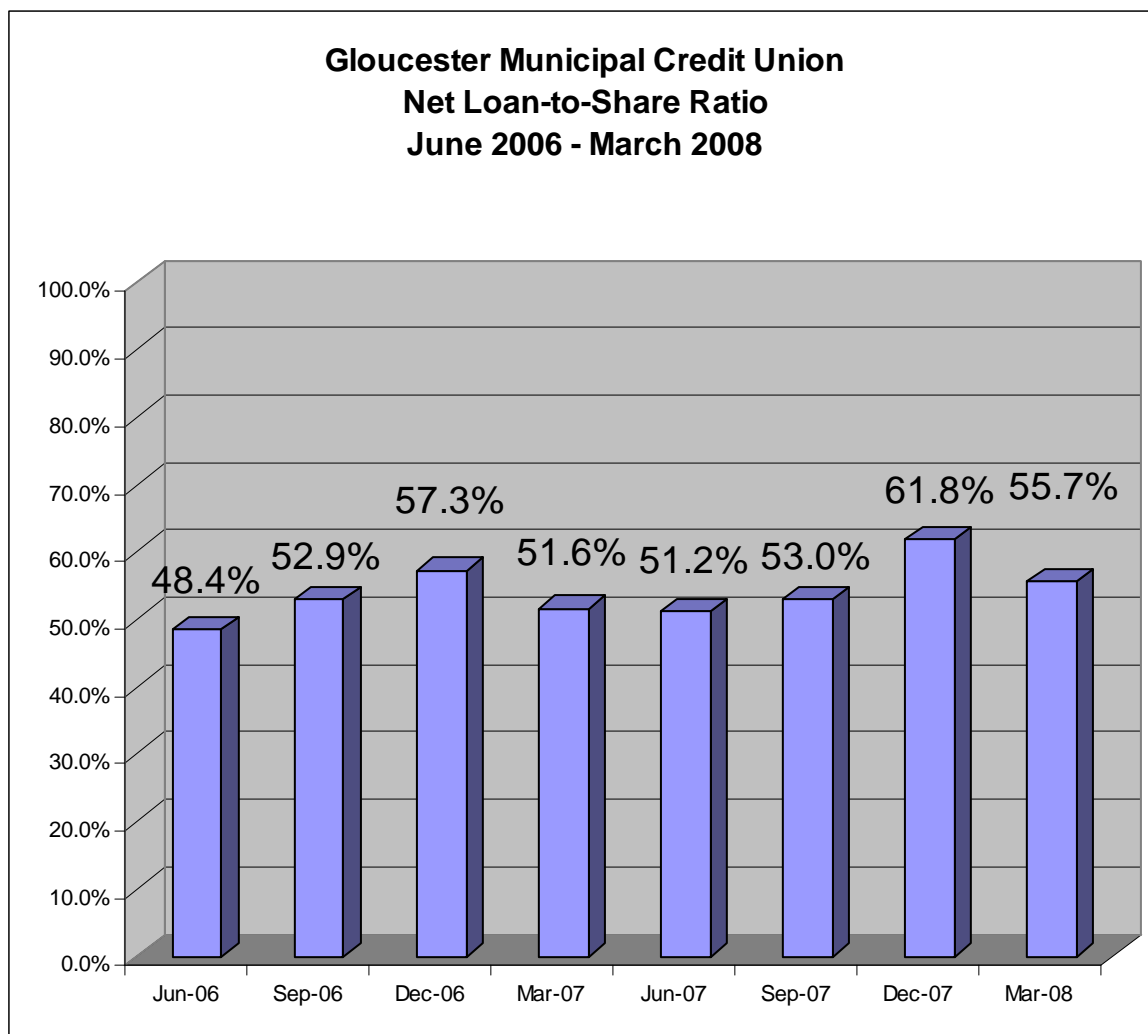
Gloucester Municipal Credit Union's by-laws state that "membership is limited to those who are permanent pension contributing employees of the City of Gloucester, employees of the Gloucester Municipal Credit Union and retired Gloucester municipal employees." The Credit Union's current membership totals 599 individuals, in which, the majority are active municipal employees. These individuals include current and retired teachers, police officers, firefighters, and public works employees.

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

This performance criterion determines what percentage of the Credit Union's share base is reinvested in the form of loans and evaluates its appropriateness. An analysis of Gloucester Municipal Credit Union's net loan-to-share ratio was performed; the calculation incorporated the latest eight quarterly periods utilizing the total net loan to total share figures from the National Credit Union Administration ("NCUA") 5300 reports. The institution's average net loan-to-share ratio during this period was determined to be 53.8 percent which is reasonable given the Credit Union's asset size, resources, competition, lending strategy and the credit needs of its membership. The Credit Union's net loan-to-share ratio as of March 31, 2008 was 55.7 percent. The lowest net loan-to-share ratio for the time period was 48.4 percent as of June 30, 2006 while the highest was 61.8 percent as of December 31, 2007.

The following graph illustrates the loan to share trends.



Source: National Credit Union Administration Call Reports

PERFORMANCE CRITERIA (CONTINUED)

The Credit Union's net loan-to-share ratio meets the standards for satisfactory performance based on the information above and its capacity to lend, asset size, the types of loans available, and its limited resources.

2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVEL

This performance criterion utilizes a sample of the Credit Union's consumer loan data for calendar years 2006 and 2007 in order to determine the distribution of credit based upon the income level of borrowers. The loan sample consisted of unsecured and secured personal loans. The borrower income analysis was based on the median family incomes for the Peabody Metropolitan Division (MD) for 2006 and 2007, which was \$78,200 and \$77,200, respectively.

The four income categories that define the income level of borrowers include low, moderate, middle and upper-income. Borrower income level was identified as the ratio of borrower annual income to the Median Family Income for the MD.

As defined by the U.S. Department of Housing and Urban Development (HUD), low-income is defined as income level or area that earns less than 50 percent of the Metropolitan Statistical Area (MSA)/MD's median family income. Moderate-income is defined as income level or area that earns 50 percent to less than 80 percent of the MSA/MD's median family income. Middle-income is defined as income level or area that earns 80 percent to less than 120 percent of the MSA/MD's median family income. Upper-income is defined as income level that is equal to or greater than 120 percent of the MSA/MD's median family income.

A review of ten loan files from 2006 and 2007 was conducted to determine the borrower's income level. Of the ten files reviewed, three or 30.0 percent were granted to low-income members, three or 30.0 percent were granted to moderate-income members, 3 or 30.0 percent were granted to middle-income members, and one or 10.0 percent were granted to upper-income members.

The Credit Union meets the standards for satisfactory performance in providing credit to members of all income levels based upon the analysis of consumer loans by borrower income.

3. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the Credit Union's performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

Review of Complaints

There was no indication that the Credit Union received any complaints pertaining to its CRA performance since the previous examination. If such complaints or comments are received, however, management is encouraged to record the date of these correspondences.

PERFORMANCE CRITERIA (CONTINUED)

Fair Lending Policies and Practices

Gloucester Municipal Credit Union received no CRA-related complaints in the period under review. The Credit Union has a good record of implementing fair lending practices. The following discussion is based on the guidelines of Division of Bank's Regulatory Bulletin 2.3-101.

The Credit Union's manager serves as the loan officer. The institution has developed a second review process in which all loans considered for denial are referred to the Credit Committee prior to issuing an adverse action form. In no exceptions will the loan officer or the Credit Committee be allowed to grant loans that fall outside the parameters set in the loan policy and voted on at the annual meeting. The Credit Union charges a uniform interest rate to all of their borrowers, regardless of their credit score or history. Additionally, the Credit Union advertises by posting promotional interest rates on the front door of the Credit Union's office and printing promotional rates on monthly billing statements. The Credit Union's fair lending policies and practices are considered satisfactory. No practices that would result in disparate treatment were noted.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at City Hall, 9 Dale Avenue, Gloucester, Massachusetts 01930."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.